

Hey Mortgage Fans!

Volume 11 issue 2 – Summer 2010

Valuable Mortgage Information



and a lot of other really Cool Stuff!

"I lived through the depression. My mother's."
– Stuart Smalley.

At age 11 he won the South Carolina state spelling bee. Since his high school did not teach calculus, he learned it on his own. His SAT score was 1590 out of 1600. He graduated summa cum laude from Harvard¹. He succeeded Alan Greenspan as Fed Chief in 2006 and was Time Magazine's Man of the Year in 2009. Yet despite this

resume Ben Bernanke's critics grow by the day. What has Bernanke done to generate this criticism, what exactly are his responsibilities, and what was I thinking paying a scalper \$200 for Eddie Grant tickets in 1984? We'll try to uncover most of these answers right now.

Weekend at Bernanke's: Unlike a normal person who would spend their weekend updating their Facebook status² or sit around eating

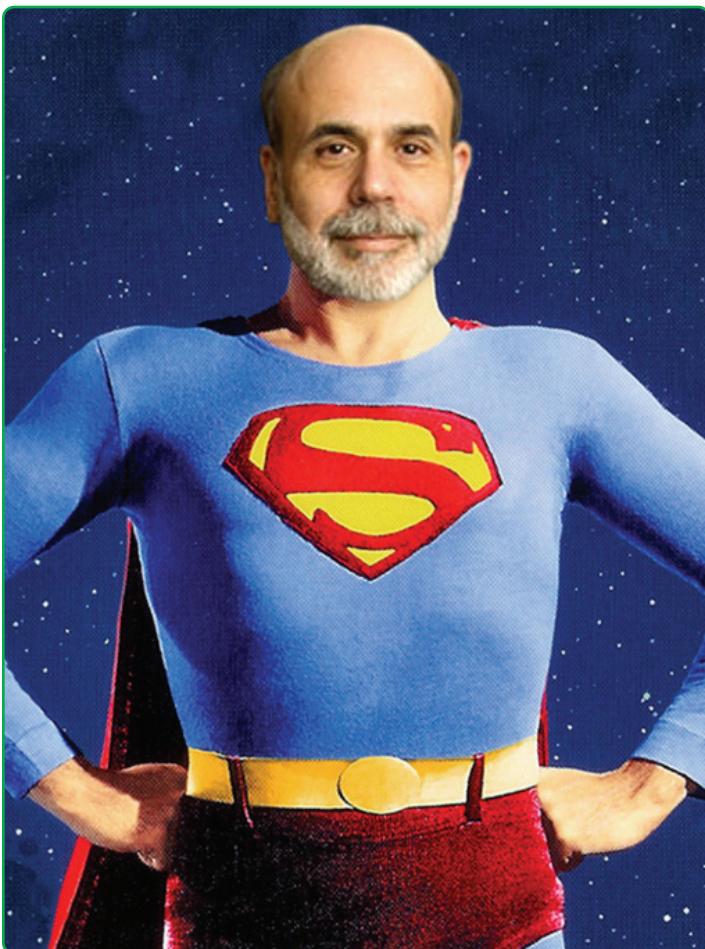
cool ranch-flavored Doritos Bernanke has been known to work tireless seven-day weeks. Running the Federal Reserve is not as easy as it looks, Mortgage Fans. To understand what he does let's take a little history lesson into why his job was created in the first place and what the Federal Reserve's responsibilities are.

The Federal Reserve is the central banking system of the United States. It was created in 1913 and was largely a response to prior financial panics and bank runs, the most severe of which was the Panic of 1907³ – a panic that started when the New York Stock Exchange fell close to 50% from its peak the previous year (sound familiar?). Over time the responsibilities of the Federal Reserve grew and molded into four different areas:

1. Conduct the nation's monetary policy by influencing monetary conditions in pursuit of maximum employment, stable prices, and moderate long-term interest rates.
2. Supervise and regulate banking institutions to ensure safety and credit rights of consumers.
3. Provide financial services to depository institutions and the U.S. government.
4. Ensure a World Series for the Cubs.

In addition to all of this Bernanke's role is micromanaged by Congress, the media, and the public like it has never been before. Every move he makes, every breath he takes, we've been watching him. And he's handled it with grace under pressure. If the economy is a hurricane Bernanke has been the eye of the storm where birds are chirping and the sun is shining. And while it's not in the Fed's job descriptions above, I personally feel that half of his job is to keep the panic under control. He's been marvelous at this.

Ba-Ba-Ba Benny and the Feds: I will most likely enter geek status by saying this, but for many years Alan Greenspan was my hero. Here was a guy that took a job that wasn't really mainstream and turned it into the financial face of pop-culture. Do you remember or did you hear of any Fed Chairmen before Greenspan? You don't because they didn't have the flair that Greeny had. (Side note: before Greenspan it was Paul "Gaylord" Vocker from '79-'87. He will be known for being the Fed Chairman who raised the Prime rate to 21.50% in 1981 – the all-time high. Before Vocker it was William Miller, a guy who stated it was his belief that inflation could "prime the pump" of the economy. Eleven months into his term the dollar had fallen 42% against the Yen,



1. While this is impressive he couldn't compete with me in naming every Brady Bunch episode.
2. How great would it be if Bernanke were on Facebook? His status would read, 'Ben Bernanke: is headed to Starbucks for a latte and I'm thinking about raising rates LOL.'
3. Not to be confused with the Panic of '87 when the answers to the Spanish test I had written on my arm had smudged because of my nervous sweat or the panic of 2007 when Hostess Brands (Twinkies, Ding Dongs, etc.) declared bankruptcy.





At least Bernanke's not here lecturing us about the Great Depression.

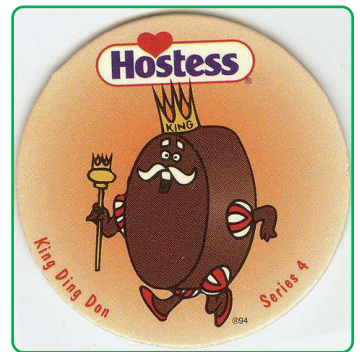
he was fired, and President Carter launched a “dollar rescue package” that included emergency sales from the U.S. gold stock⁴!) Maybe the timing was right for Greenspan to take center stage because the Fed, with all their power, didn't really have an identity. But was it right to look at Greenspan as a hero? As much as I admired him he never really had much of a crisis to deal with in his 19 years serving as Fed Chairman, and he got out just in time before the biggest economic collapse in our lifetime. Enter Ben Bernanke...

Philosopher George Santayana said, “Those who do not study history are doomed to repeat it⁵.” Maybe it's a good thing that by his own account Bernanke has spent more than 10,000 hours studying the Great

Depression⁶ and even wrote a book called *Essays on the Great Depression*. I think I'll wait for the movie⁷ on that one. Could there have been a better person to step in and save this country from experiencing another Depression? He immediately intervened to curb financial panics and made major radical decisions that no Fed had ever done before. This consisted of printing up \$700 billion in relief (TARP) money to stimulate the economy; assisting in public takeovers of Fannie Mae and Freddie Mac; against the advice of his own cabinet members he approved the bailout of insurance giant AIG; convinced Bank of America to acquire Merrill Lynch; ratcheted interest rates to zero; revolutionized housing finance by buying \$1.25 trillion of mortgage bonds; and approved of the Bears trading draft picks to Denver for Jay Cutler. None of this was pretty. The Fed is supposed to lend only against safe collateral, and the Fannie/Freddie and AIG deals clearly went against logical thinking. Bernanke isn't just trying to save us; he's led an effort to save the

world economy. Has there ever been a more powerful bald man in this country?! Well, some critics say the bald man has gone too far in his saving- the-world-campaign. Critics say Bernanke's expertise of the Depression has diverted him from the real threat to the United States now: inflation. Critics say that by trying to avert a financial slump and complete and total economic collapse, Bernanke may have fueled high inflation for many years to come. This is bad for interest rates, Mortgage Fans. There are a handful of representatives in Congress that felt Bernanke's reappointment was a mistake too. Alabama Senator Richard Shelby voted against a 2nd term for Bernanke, saying, “We are still deep in the woods and Bernanke is not the best-suited person to lead us out and keep us out. He cares more about inflation than he does double-digit unemployment⁸, and billions of TARP money was spent without consequences.” Despite all of the criticism it looks like Bernanke's moves are starting to pay off. Interestingly enough taxpayers are on track to profit from

TARP's unpopular bank bailouts, and for now we are slowly seeing signs of his gambles paying off (employment, home sales, and new construction are all up from a year ago). Only history will let us know what kind of job Bernanke is doing. People loved Greenspan when he was in office, but now a lot of people are pointing the finger at him for not seeing the warning signs. Years from now when Bernanke has been retired I'm guessing we won't see that same finger pointing. For now I'm driving the Bernanke Bandwagon. I encourage you all to come along for the ride because it will not be as bumpy as the critics will lead you to believe.

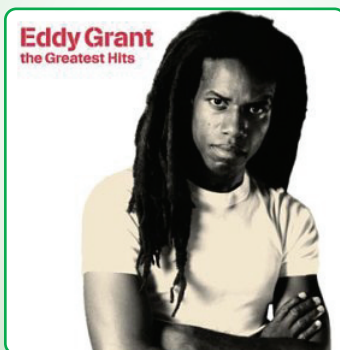


No worries, folks. The economy is picking up.

Time-Out for TRIVIA

Were you alive in the 80s and 90s? Me too! Were you paying attention? Me neither. But let's try some trivia anyways. Nine out of ten correct will win a cool mystery prize. Seven to eight will win a congratulatory email from my assistant. Six or less correct will win bits of dried-out Play Doh I found in my sock drawer last night. Good luck (email answers to Barry@Perl Mortgage.com):

1. Eddie Grant wrote two hit songs⁹ in his career. Name the one that was the title track for a Michael Douglas movie.
2. What did Nirvana smell in 1991?
3. What movie was Keyser Soze in?
4. Cher, Meryl Streep, Jodie Foster, Barbara Hershey, Debra Winger, Michelle Pfeiffer, Goldie Hawn, and Diane Keaton all passed on this movie



You'd look angry too if you only had two hits on a greatest hits album.

before Davis and Sarandon were signed. What movie?

5. In the 1984 Family Ties episode Double Date what are the real life names of the two girls Alex brings to the prom?
6. This girl had a controversial speech after accepting her Best New Artist award at the 1997 MTV Music Awards show.
7. Whose 1981 wedding was the most watched in TV history next to Charles and Diana?
8. What 1993 movie is this quote from: “Oh. Wow. Gee whiz. Looky here. You know we're always fascinated when we find leg irons with no legs in them. Who held the keys, sir?”
9. Who played Officer Tom Hanson on 21 Jump Street?
10. In 1987 what reason did Julie Valvano give for not wanting to date me anymore?

4. Can you imagine if this happened today? Would love to see the administration panicking and sweating in a huge vault as they bagged up everything to send out to Cash 4 Gold.
5. This is true. I failed History my freshman year in high school and had to take it again the next year.
6. Bernanke ranks in my top 5 list of guys I would not want to spend a weekend with in Vegas.
7. I know the rule of thumb is that the book is always better than the movie, but if there were a Rocky 3 book my guess is that the movie would be better.
8. It'd be fun years from now if the economy is thriving to have Bernanke pull a 'Will Hunting' and hold a glowing Employment Report up to the Senator's face. “You like apples, Shelby? How 'bout them apples!”
9. “We gonna rock on down to Electric Avenue. And then we'll take it higher.” Thank you to all of my friends who talked me out of using these lyrics as my senior yearbook quote.

